

## House pushes for sweeping audit of the Fed

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WASHINGTON — House lawmakers want to pry open the books of the famously secretive Federal Reserve with legislation that would subject the central bank to a sweeping congressional audit.

The effort is overwhelmingly bipartisan. Hardline conservatives and liberal Democrats have banded together in their criticism of the Fed as a major power broker in the financial system that doesn't answer to Congress.

Friday's debate comes as lawmakers consider a proposal by President Barack Obama that would give the Fed new powers to prevent another economic crisis.

"Nobody in my district thinks that the Fed has done such a wonderful job of running the economy that we should continue to cloak them with secrecy for the purpose of protecting them from second-guessing criticism," said Rep. Brad Sherman, a California Democrat.

The Fed is pushing back, warning that its ability to stabilize prices and monitor interest rates would be compromised if it knew politicians were looking over its shoulder.

The House proposal would "cause the markets and the to public to lose confidence in the independence and the judgments of the Federal Reserve," Scott Alvarez, the board's top lawyer, told the House Financial Services Committee in testimony.

The legislation is championed by Rep. Ron Paul, a Texas Republican whose extreme libertarian bent usually doesn't generate consensus in Congress. But as of Friday, Paul's legislation had attracted 295 co-sponsors with a range of political philosophies, including Hawaii liberal Rep. Neil Abercrombie and Rep. Jeb Hensarling, an outspoken conservative from Texas.

The bill would direct the Government Accountability Office, the congressional watchdog agency, to complete by the end of 2010 an audit of the Fed's Board of Governors and its banks. Current law shields the Fed from scrutiny of its work on monetary policy and its dealings with foreign banks.

Federal Reserve Chairman Ben Bernanke has insisted that any congressional audits should steer clear of the central bank's core mission — setting interest rates to foster economic growth, employment and low inflation.

Since its creation almost a century ago, the Fed's profile has increased substantially. In addition to setting monetary policy, the Fed supervises banks to ensure the "safety and soundness" of the financial system and enforces rules to protect consumers.

Most alarming to lawmakers is the Fed's \$2 trillion balance sheet after invoking emergency powers during last year's market crisis to lend money to companies outside the financial sector and buy up mounds of short-term commercial debt.

"I simply do not believe that ultimately an unelected group of individuals should have unfettered ability to impose trillions of dollars of taxpayer exposure liability without some type of check or constraint by the people's elected officials," said Hensarling.

Alvarez countered that the Fed is still accountable to Congress because it testifies on its activities and cooperates with GAO investigations in areas other than monetary policy and foreign dealings.

Obama has proposed a major overhaul of the regulatory system that would strip the Fed of its consumer protection role and hand that to a separate government agency. But the plan would give the Fed another major role in influencing the market by putting it in charge of regulating institutions deemed "too big to fail."

In a bid to mollify critics who say the Fed should be more accountable, Obama also proposed a requirement that the Fed obtain Treasury Department approval before extending credit to institutions in "unusual and exigent circumstances."